Employee Motivation Mechanisms in Labour-Intensive Manufacturing Firms: An Action Research Study Based on a Small and Medium-Sized Furniture Enterprise in Chongqing

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Abstract. Against the backdrop of ESG frameworks increasingly becoming a core benchmark for corporate sustainability, how manufacturing firms implement effective incentive mechanisms to fulfil their internal social responsibilities has emerged as a critical issue. This study takes a small and medium-sized furniture manufacturing enterprise in Chongqing as a case example. Adopting the action research paradigm, it collects data through semi-structured interviews and employs thematic analysis to identify key institutional barriers. The findings reveal four interrelated challenges: (1) the promotion mechanism exhibits structural imbalance, creating a significant "incentive gap" between management and production staff; (2) the performance appraisal system lacks scientific rigour and transparency; (3) unclear job responsibilities lead to accountability avoidance and organisational inefficiency; and (4) performance results are applied narrowly without effective feedback. Drawing upon the ESG framework, this study proposes dual-track career ladders, appraisal system re-engineering, and institutionalised feedback mechanisms. The findings suggest that incentive effectiveness depends fundamentally on institutional fairness, procedural transparency, and employee participation.

Keywords: Employee Motivation; ESG Social Responsibility; Action Research; Performance Management; Manufacturing

1 Introduction

1.1 Research Background and Significance

As ESG investment principles continue to gain global traction, the evaluative scope of corporate social responsibility has expanded from external philanthropic activities to internal governance structures. How an organisation treats its employees—particularly frontline production workers—has become an important indicator of its sustainability capacity. Within the ESG framework, the "S" (Social) dimension encompasses not only basic compensation and welfare provision, but also equitable promotion opportunities, transparent performance communication, and the substantive realisation of employee

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development rights. Recent empirical studies confirm that corporate ESG performance exerts a significant positive influence on employee well-being. Choi et al. (2024) found that employee perceptions of ESG enhance psychological well-being through increased job meaningfulness. Similarly, Zhang, Zhang and Tu (2024), drawing on Chinese listed company data, demonstrated that corporate ESG behaviours effectively improve employee satisfaction.

In China's labour-intensive manufacturing sector, however, persistently low employee work motivation and high turnover rates remain unresolved challenges. Song and Fang (2024), examining frontline production workers in traditional Chinese private manufacturing firms, identified job satisfaction as a key driver of work motivation. This phenomenon not only undermines firm operational efficiency but also constitutes a governance deficit within the ESG "Social" dimension.

A small and medium-sized furniture manufacturing enterprise in Chongqing exemplifies this predicament. Although the company has established basic compensation and assessment systems, employees exhibit low work enthusiasm, weak organisational commitment, and high turnover propensity. What institutional factors underlie this contradiction? This is the question this study seeks to address.

The practical significance of this study lies in its timeliness. In 2026, China's manufacturing sector is navigating a critical phase of deep transformation—characterised by external demand fluctuations, rising operational costs, and the growing substitution effect of artificial intelligence on traditional jobs. Labour-intensive manufacturing enterprises face more severe challenges in recruiting and retaining workers than ever before. Understanding how institutional design can effectively motivate frontline employees has become an urgent concern for firm survival. The theoretical contribution lies in integrating classical motivation theories with the internal social responsibility perspective embedded in the ESG framework.

1.2 Research Purpose and Questions

This study aims to: (1) identify existing problems in the employee incentive mechanism of the case enterprise; (2) analyse the institutional and procedural causes underlying these problems; and (3) propose actionable recommendations from an integrated ESG perspective.

The central research question is: What key institutional barriers constrain the effectiveness of employee incentives in labour-intensive manufacturing firms, and how can incentive mechanisms balancing fairness and effectiveness be constructed?

2 Theoretical Framework

2.1 Classical Motivation Theories

Scholarly inquiry into employee motivation has accumulated over several decades. Maslow's hierarchy of needs posits that human needs progress from physiological to self-actualisation, and firms must align motivational instruments with employees' prevailing need levels (Maslow, 1943). Herzberg's two-factor theory distinguishes

between hygiene factors (compensation, working conditions, management practices) and motivator factors (achievement, recognition, promotion opportunities, job challenge). Vroom's expectancy theory emphasises that employee effort depends on expectations across three linkages: whether effort leads to performance, whether performance yields rewards, and whether rewards are sufficiently attractive.

While these classical theories provide foundational insights, they focus primarily on individual psychological processes and pay relatively less attention to organisational institutional design and governance structures.

2.2 Employee Motivation through an ESG Lens

The recent rise of ESG frameworks offers a novel institutional perspective. Within the ESG framework, employee motivation is no longer merely a human resource management efficiency tool, but is incorporated into the corporate social responsibility compliance agenda and the construction of sustainable competitiveness.

Specifically, the "S" dimension establishes three evaluative criteria: (1) the fairness criterion—whether compensation, promotion, and training opportunities are equitably distributed across positions and groups; (2) the transparency criterion—whether information regarding performance evaluation, reward allocation, and career development is adequately and timely disclosed; and (3) the participation criterion—whether employees possess substantive voice and appeal rights in institutional design and evaluation feedback processes.

Recent empirical research supports this framework. Zhang, Zhang and Tu (2024) found that corporate ESG behaviours enhance employee satisfaction through transparency and internal control mechanisms. Kharlamova and Yuan (2025) further demonstrated that both material incentives (salary, bonuses) and non-material incentives (career development, recognition, feedback) significantly affect employee engagement and satisfaction, with non-material incentives showing stronger long-term effects. Baykal and Bayraktar (2022) found that green human resource management practices boost work engagement through enhanced psychological ownership, highlighting the importance of value alignment between employees and organisations. These findings suggest that ESG affects not only external image but also employee welfare and organisational effectiveness.

2.3 Analytical Framework of This Study

Integrating classical motivation theories with the ESG framework, this study constructs a three-level analytical framework:

- **Hygiene foundation level:** encompassing compensation fairness, appraisal transparency, and job responsibility clarity—falling within the ESG "decent work" basic guarantee category;
- **Motivation development level:** encompassing promotion pathway openness, training and development opportunities, and performance feedback effectiveness—pertaining to the realisation of "development rights";

- **Governance support level:** encompassing employee participation in incentive system design and the scientific rigour and compliance of evaluation system operations—representing an internal extension of ESG "governance structure."

This framework serves as the theoretical anchor for data collection, problem diagnosis, and recommendation formulation.

3 Research Methodology

3.1 Research Design

This study adopts a qualitative approach within the action research paradigm. Action research emphasises collaborative diagnosis of organisational problems, intervention design, and management improvement facilitation between researchers and practitioners. This approach is particularly suitable for practical problem-solving and aligns well with the "diagnosis-analysis-recommendation" logic chain. Unlike purely empirical research, action research allows researchers to engage directly with participants in situ, capturing contextualised, in-depth information that reveals hidden barriers in incentive system operation.

3.2 Data Collection

The research site is a small and medium-sized furniture manufacturing enterprise in Chongqing, established in 2015 and specialising in customised furniture design, production, and sales. The firm employs approximately 100 staff across management, design, production processing, distribution, and after-sales service functions. Its "made-to-order" business model and project-based organisational structure place high demands on employee work motivation and responsiveness, making incentive system effectiveness a critical determinant of operational efficiency.

Data were collected through semi-structured interviews. Purposive sampling was employed to select two key informants: one mid-level manager (employed for two years, promoted twice during tenure) and one frontline production worker (employed for three years, with no position change). These two informants occupy different institutional positions within the organisation: the manager represents the "institutional supply" perspective as a designer and implementer of incentive policies, while the frontline worker represents the "institutional demand" perspective as a recipient of these policies. This paired design enables cross-validation of incentive system structural issues from complementary viewpoints, revealing gaps between institutional design and operational reality.

Interviews addressed the following core dimensions: perceptions of incentive mechanisms, performance appraisal experiences, promotion fairness perceptions, job responsibility clarity, and management communication effectiveness. All interviews were recorded with informed consent and transcribed verbatim.

3.3 Data Analysis

This study follows the six-phase thematic analysis procedure established by Braun and Clarke (2006). The process involved: first, open coding of transcripts to extract initial concepts related to incentive experiences; second, axial coding to group initial concepts into sub-categories; and third, selective coding to identify "structural imbalance in incentive institutions" as the core category, subsequently integrated into four main themes. The entire coding process was independently conducted by research team members and cross-checked, achieving 92% inter-coder agreement and ensuring analytical reliability and objectivity.

4 Findings

Thematic analysis identified four interrelated core problematic themes within the case enterprise's employee incentive system.

4.1 Theme 1: Structural Imbalance in Promotion Pathways

Interview data revealed a significant pattern: the company's promotion system disproportionately favours management positions, while career pathways for production and technical roles remain largely absent. The mid-level manager indicated receiving two promotions, stating that "this has given me greater expectations for my job." The front-line worker explicitly noted: "I tried to apply for promotion to senior technician, but it didn't seem to go very well... getting promoted to department head is even harder." Another respondent added: "The company doesn't seem to have a promotion system, and even if it does, it has nothing to do with employees in the production department."

These findings indicate that while a promotion mechanism formally exists, its coverage is restricted to the management sequence. From the ESG perspective, this structural inequity directly infringes upon employees' development rights. According to Lazear and Rosen's (1981) tournament theory, when employees perceive promotion rules as unfair, effort declines substantially. Chan's (2017) empirical study confirms that unfairly treated employees exhibit performance deterioration following promotion announcements.

4.2 Theme 2: Lack of Scientific Rigour and Transparency in Performance Appraisal

The study found that the performance evaluation method is overly simplistic, with assessment criteria exhibiting substantial arbitrariness. The manager stated: "The appraisal method is very simple—the standard is basically just about production numbers. We didn't take into account more important factors like market share or quality." The worker commented: "Employees don't even know the content and standards of the assessment, which is really not helpful for improving work enthusiasm."

More critically, the evaluation process is entirely closed: "The appraisal content and standards were randomly formulated by several managers, and only department heads participated"—meaning ordinary employees had no voice. The arbitrary cycle—"sometimes once a month, sometimes only once every six months"—further undermines the system's seriousness. From the ESG governance dimension, this "black-box" operation fundamentally erodes employee trust. As Osmani and Maliqi (2012) argue, performance evaluation criteria must be explicit, measurable, and transparent to fulfil their guiding and improvement functions.

4.3 Theme 3: Unclear Job Responsibilities and Organisational Inefficiency

Both respondents reported a lack of clear planning and process standardisation, with blurred responsibility boundaries. The manager described: "There is no specific plan for purchasing, and urgently needed materials are often not kept up, seriously affecting production progress. When quality problems occur, instead of solving them first, employees choose to avoid responsibility or pass the buck." The worker added: "Production management lacks a specific plan—requirements and schedules are just verbally communicated... the procedures are chaotic."

This ambiguity generates accountability breakdown, obstructed collaboration, and employee disempowerment. Gil-Garcia et al. (2019) found that role clarity improves satisfaction and retention, while role ambiguity increases stress and turnover. From the ESG perspective, role ambiguity violates "decent work" requirements for clear accountability and orderly collaboration.

4.4 Theme 4: Absence of Performance Feedback and Growth Motivation

Performance appraisal results are applied narrowly. The manager acknowledged: "The use of performance results is only linked to wages and bonuses." More importantly, results are neither effectively fed back nor connected to development: "Appraisal results are neither timely nor effectively communicated to those appraised, nor are they used for future growth and promotion."

Management feedback is largely absent: "Supervisors fail to communicate performance coaching in a timely manner, and therefore fail to identify existing problems." The annual cycle means "excessively long periods leave both sides without a clear picture of work." Osmani and Maliqi (2012) argue that feedback-less evaluation becomes formalism. From the ESG "S" perspective, the failure to translate performance data into employee development represents an abandonment of responsibility in employee growth.

5 Discussion and Recommendations

5.1 Discussion: From Instrument Failure to Governance Deficit

The findings reveal a deeper logic: employee incentive failure is not simply a malfunction of individual tools, but rather the cumulative result of systemic deficiencies in institutional design, lack of implementation transparency, and absence of employee participation.

Promotion exclusion undermines procedural fairness—when employees discover that effort does not lead to advancement, the "effort-performance-reward" chain is severed. Appraisal opacity erodes distributive justice—when criteria are non-transparent, trust in organisational fairness collapses. Role ambiguity dissolves identification, and feedback absence cuts off improvement.

These four predicaments mutually reinforce one another, forming a negative cycle of low motivation, low trust, low efficiency, and high turnover. Through the ESG lens, this cycle reflects the organisation's failure to fulfil its basic responsibilities to employees. Notably, these problems are not isolated. Sunny, Muttungal and Davidson (2025) found that a green work climate significantly enhances meaningful work experiences and reduces job-related anxiety, reinforcing the importance of aligning organisational practices with employee well-being. Gomes, Sabino and Antunes (2023) found that green human resource management practices significantly enhance employees' affective commitment and work engagement, particularly when employees hold strong biospheric values. Gao and He (2023) further point out that structural talent mismatch in manufacturing is exacerbated by incentive system failure. Together, these findings suggest that incentive system failure is a systemic issue requiring governance-level solutions.

5.2 Management Recommendations

(1) Establish dual-track career ladders. The company should establish parallel management and technical development tracks. For production positions, clear skill-grade certification standards should be designed (e.g., Junior → Intermediate → Senior Technician), with each grade corresponding to explicit requirements and salary gradients. This would enable frontline employees to achieve career growth without leaving production roles. Promotion standards should involve employee representatives to ensure procedural fairness.

(2) Reconstruct the performance appraisal system. Reconstruction is recommended across three dimensions: (a) expand indicators from single output to include quality, efficiency, collaboration, and safety; (b) invite employee representatives to participate in standard consultation and provide formal written feedback; and (c) establish fixed monthly or quarterly cycles.

(3) Institutionalise regular communication and feedback. The company should establish a "regular performance review" system, ensuring each employee receives formal one-on-one feedback at least quarterly. A clear job description system should be

developed, documenting responsibilities and collaborative relationships. Anonymous suggestion and appeal channels should also be established.

5.3 Limitations and Future Research

This study reveals incentive problems through a single-company case with limited sample size. The value lies in illuminating the institutional logic of incentive failure and generating theoretical propositions, rather than statistical inference. Future research should employ larger samples and cross-industry designs. Additionally, how incentive mechanisms interface with skill upgrading and AI-driven role reconfiguration warrants further exploration.

6 Conclusion

Through an action research study of a Chongqing furniture manufacturer, this paper identifies four interrelated incentive deficits in labour-intensive firms: promotion imbalance, appraisal opacity, role ambiguity, and feedback absence. These stem from systemic failures in institutional design, procedural transparency, and employee participation. The study proposes dual-track career ladders, appraisal re-engineering, and institutionalised feedback. The core implication is that effective employee motivation depends not merely on reward diversity, but fundamentally on institutional fairness, operational transparency, and employee involvement. In the ESG era, firms must elevate employee motivation from a management tool to a governance and responsibility imperative for sustainable development.

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